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WORLD FINANCE AND WALL STREET

By RALPH W. VINCENT

IN presenting a financial article to its readers this month, the management of THE LOTUS MAGAZINE realizes that it is making a new, and what at first thought possibly may be regarded as a somewhat radical, departure. The hope and belief are entertained that it will be favorably received. Indulgence is sought at the outset for consideration of a brief outline of the purposes and scope of this article. No attempt will be made to play the part of the tipster on the stock market from month to month. In the first place, this would be an absurd undertaking in a publication appearing only once in thirty days. Everyone who knows anything about the rapid fluctuations of the market realizes that its whole character and trend often change completely within a few minutes, and that consequently "tips" given after the close of business one day often go astray before the gong sounds for the resumption of trading on the Stock Exchange the next morning. But aside from all this, it is realized that the readers of this magazine would not expect information of this character, or what might easily prove to be misinformation.

An honest and intelligent effort will be made, however, to touch upon and interpret some of the world-wide events that could naturally exercise the greatest influence upon both our investment and speculative markets. From time to time an insight will be given into the prominent part that the giants of finance in Wall Street are playing in the solving of the many knotty problems that have developed as a result of the war.

The expression "world-wide" was used advisedly. It is quite unnecessary to remind the readers of this publication, that stock markets are no longer made in Wall Street, almost wholly independent of events outside its confines, as was possible and actually done up to a comparatively few years ago. To-day we have a stock market and a money market that are governed largely by developments in Washington, so far as this country is concerned, but just now more particularly by the happenings in Europe. This is true at the present time almost to the same extent as when the great war was on, and will continue to be true during the greater part at least of the reconstruction period.

Reconstruction, by the way, is a word almost as frequently on the lips and in the minds and hearts of the people of the civilized nations of the world to-day as was the dread word influenza, or "flu" for short, until recently. These problems of reconstruction are world-wide in their extent also. Not only must the thousands of buildings and numerous fields in northern France and throughout Belgium that were devastated in the war be rebuilt, but the attitude of the peoples of many other nations, and practically of the whole world, as a matter of fact, toward government and order must be rebuilt. Already there is ample proof that this latter problem may be even more difficult, and quite as costly, as the former part. At any rate, the whole undertaking will involve the raising of a vast amount of money. Just what this will mean to Wall Street and the people who may wish to put their money

there, either for investment or speculation, will develop with the lapse of time.

With the return to Paris of President Wilson, Premier Lloyd George of England and Premier Vittorio Orlando of Italy, to resume their places at the Peace Conference table, and with the return also of the veteran French Premier, Georges Clemenceau, to take his place at its head, rapid progress may be expected in the drafting of the peace treaties, particularly that which will be presented to Germany, not for the approval, but for the signatures only, of the plenipotentiaries duly appointed to represent the country. One of the most troublesome problems with which the Peace Conference has had to deal so far, and which is likely to occupy its attention for some little time to come, is that of reparation. No country directly involved in the war is so eager to embark upon a comprehensive reconstruction program as is France. No country apparently feels so helpless financially to begin this important work. It is gratifying to note, however, that the French representatives at the Peace Conference and their financial advisers, in spite of the dire need of the country for a great amount of money, are recommending making the original levy upon Germany a relatively small amount, and of collecting whatever they can in addition, through a period of 25 to 35 years.

Everyone who has followed this situation to any extent realizes that it will not be possible to collect an enormous sum from Germany in the immediate future, and that in the meantime, France will be obliged to get temporary financial assistance, in all probability, from the United States. This will be one of the first instances in which the bankers of Wall Street will be called upon to engage further in international financing. It is possible, however, that France may be able

to rise out of her troubles more easily even than her own political and financial leaders now fear. Recently the Bankers Trust Company of this city, of which Seward Prosser is President, announced that it was returning to the French Finance Minister a large block of investment securities that had been pledged here by the French Government as security for a war loan. It was stated at the same time that on April 1st, another good-sized loan would mature, and that it would be paid by the French Government and the collateral turned back to them.

Our bankers are keeping in the closest touch possible with the big developments in Europe. Many of them have been over there to study the situation. Some are still engaged in this fascinating and important work, while others have returned to assume their regular duties here and to advise their associates as to the results of their investigations. Prominent among the latter group is J. P. Morgan, who with Mrs. Morgan and their son, Junius, recently discharged from the navy, spent six weeks in England and France, and came back on the *Aquitania*. Realizing the importance of an expression of his opinion and the weight that it would carry, newspaper representatives pressed him for his ideas as to the probable volume of export trade from the United States to Europe in the near future. While not making a definite reply, Mr. Morgan very significantly suggested that it might first be well to consider the ways in which the nations of Europe might be able to get the money with which to pay for our surplus goods before attempting to calculate how many we could ship to them. Here again is clearly given a reminder of the fact that if the reconstruction of Europe and the world is to be satisfactorily accomplished within a reasonable time, the United States must play the most prominent part

in the matter of furnishing the necessary funds. Mr. Thomas W. Lamont of the Morgan firm, and Mr. Albert Straus of J. & W. Seligman & Co., are still in France serving as financial advisers to the American peace commissioners.

Sight must not be lost of the fact that we now have on our hands a piece of financing that before the war would have seemed appallingly large, and, in fact, absolutely impossible. Reference is made, of course, to the forthcoming offering of \$6,000,000,000 of short-term government notes, running over a period of one to five years, and bearing varying rates of interest, according to the degrees of taxability to which the different classes of the notes will be subjected. This is really a gigantic international financial plan, because the proceeds will be used in part to pay debts that this government incurred in helping the Allies in Europe to win the war, and that will be needed to help them secure and maintain peace during the reconstruction period. For these reasons the notes must be freely taken. Otherwise the

credit of our great government cannot be maintained.

While the campaign for the sale of the notes is on it is natural to expect that the general investment market will quiet down. In fact, it has done so already to some extent. The speculative market for stocks may be affected somewhat also, but the leaders in the recent speculative movement are looking far ahead and are not concerning themselves much over the dullness in the steel and copper markets at the present time, or the somewhat general complaint of a lack of orders in many lines. They are confident that, with the reconstruction program in Europe well started, and with less hysteria on the part of our people with respect to business, this country will enjoy a larger volume of trade than ever before, and perhaps the biggest speculation in stocks we have ever seen.

In the coming months world events, their bearing upon the securities markets, and something about the principal actors, will be discussed more in detail in the financial article.

APRIL WEATHER

Soon, ah, soon the April weather
 With the sunshine at the door,
 And the mellow melting rain-wind
 Sweeping from the South once more.

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—Bliss Carmen.